*Rules 4.2A.3*

# Appendix 4D

# Half Year Report

For the six months to 30 June 2008

| Name of entity | ABN |
|---|---|
| Multistack International Limited | 54 007 254 346 |

## 1. Reporting period

| |
|---|
| Report for the half year ended 30 June 2008. |
| Previous corresponding period is the financial year ended 31 December 2007 and half year ended 30 June 2007. |

## 2. Results for announcement to the market

| | $A'000 | | | | $A'000 |
|---|---|---|---|---|---|
| Revenues from ordinary activities | Down 339 | or | 6.96 % | to | 4,534 |
| Profit (loss) from ordinary activities after tax attributable to members | Down 444 | or | 288.31 % | to | (290) |
| Net profit (loss) for the period attributable to members | Down 444 | or | 288.31 % | to | (290) |

| **Dividends (distributions)** | Amount per security | Franked amount per security |
|---|---|---|
| Final dividend *(Preliminary final report only)* | - ¢ | - ¢ |
| Interim dividend *(Half yearly report only)* | - ¢ | - ¢ |
| Previous corresponding period | - ¢ | - ¢ |

| Record date for determining entitlements to the dividend | Not applicable |
|---|---|

No dividends were paid or proposed for the half year ended 30 June 2008.

Comments on figures reported above are included in the Directors' report in the financial statements.

## 3. Net tangible assets per security

| | Current period | Previous corresponding period |
|---|---|---|
| Net tangible asset backing per ordinary security | $0.06 | $0.07 |

## 4. Details of associates and joint venture entities

| Name of associate or joint venture entity | % Securities held |
|---|---|
| Multistack Thermal Ltd | 66% |
| Dunnair (Aust) Pty Ltd | 50% |

**Aggregate share of profits (losses) of associates and joint venture entities**

| **Group's share of associates' and joint venture entities':** | Current period $'000 | Previous corresponding Period $'000 |
|---|---|---|
| Profit from ordinary activities before tax | 264 | 354 |
| Income tax on ordinary activities | - | - |
| **Net profit from ordinary activities after tax** | 264 | 354 |
| Adjustments | - | - |
| **Share of net profit of associates and joint venture entities** | 264 | 354 |

## 5. The financial information provided in the Appendix 4D is based on the half year condensed financial report (attached).

## 6. Independent review of the financial report

*The financial report has been independently reviewed. The financial report is not subject to a qualified independent review statement.*

# Multistack International Ltd
## ABN: 54 007 254 346
## And Controlled Entities
## Half year review report – 30 June 2008

## Directors' Report

Your Directors submit their report for the half-year ended 30 June 2008.

**Directors:**

The names and details of the directors of the company in office during the half-year and until the date of this report are:

Mr Terence Chu (Chairman / Non-executive Director)
Mr Stephen Leung (Chief Executive Officer)
Mr Siu Wai Yan (Executive Director)
Ms Yim Ni Chan (Executive Director)
Mr Allan Yu (Non-executive Director)

All directors shown were in office from the beginning of the half-year until the date of this report.

**Review and results of operations:**

| | Jan. – June 2008<br>A$'000 | Jan. - June 2007<br>A$'000 |
|---|---|---|
| Revenue from ordinary activities | 4,534 | 4,873 |
| Operating profit(loss) before tax and minority interests | (290) | 159 |

The Group has made a loss of $290,000 before tax and minority interests (2007: profit of $159,000) and a net attributable loss of $290,000 (2007: profit of $154,000) while the gross revenue was down to $4.534 million. The reduction in revenue was mainly due to the reduction of sales in China. The operation in China has reported net attributable losses while Australia the operation has reported net attributable profits.

The losses were mainly due to the continuously increasing costs of the operation in China. The new labour law requires employers in China to offer many more fringe benefits to their employees which have substantially increased the labour costs. Other factors include increased oil price, uprising inflation, reduction of tax refund for exports and the appreciation of the local currency have all significantly affected our Group and also the viability of many other industries in China. In the meantime, the slowing down of the global economy has also made life difficult in the local manufacturing industry, in particular in the general export market. While facing challenges with keen competition, Management did not want to 'buy' jobs and became very prudent in accepting orders and making careful margin judgments to avoid any unexpected adverse hit-back from the market. To compensate for the reduction of sales in China, the sales outside China and in Australia are improving. Germany and India are continuing to show interest in promoting our products in their regions.

The Australian operation DunnAir International Ltd has been working hard with our joint venture (JV) DunnAir (Aust) Pty Ltd to improve the profit position. The Directors are pleased to report that as of 30 June 2008, the JV has continued to make a profit in the Australian region. The Directors believe that the overall situation in the DunnAir group would improve when the JV become more stable in both product range and dealer network. Nevertheless, a fallback plan would be considered in case the JV does not perform in a consistent trend to convince further support by the Directors.

The Directors are continuing to review the air-conditioning business. The Directors believed that there would be a need to examine various options for the operations both in Australia and offshore, particularly in the Peoples Republic of China in the foreseeable future. The Directors are determined that their decision would always be in favour of the best interest of the shareholders.

The half-year financial report does not include any adjustments in anticipation of the outcome of this review. The directors have not executed any plans as a result of this review or are aware of any adverse intentions of financiers and consider carrying value of assets not to be materially impaired. On this basis the half year report does not include any adjustments relating to the recoverability or classification of recorded asset amounts or to the amounts or classification of liabilities that might be necessary should the support of significant financiers or suppliers be withdrawn such that either the company or the economic entity is unable to continue as a going concern.

**Auditor's Declaration**
A copy of the auditor's declaration in relation to the review for the half-year is provided with this report.

**Rounding**
The amounts contained in this report and in the half-year financial statements have been rounded to the nearest A$1,000 (where rounding is applicable) under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which this Class Order applies.

Signed in accordance with a resolution of directors.

**Stephen Leung**

**Director, Chief Executive Officer**
Melbourne, 27 August, 2008

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## AUDITOR'S INDEPENDENCE DECLARATION
**To the Directors of Multistack International Ltd**

In relation to the half-year independent review for the six months to 30 June 2008, to the best of my knowledge and belief there have been:

(i) No contraventions of the auditor independence requirements of the Corporations Act 2001

(ii) No contraventions of any applicable code of professional conduct

Pitcher Partners

**PITCHER PARTNERS**
**Melbourne**

**K L BYRNE**
**27 August 2008**

## Condensed Consolidated Income Statement

| | Notes | 6 months to 30 June 2008 $A'000 | 6 months to 30 June 2007 $A'000 |
|---|---|---|---|
| Revenue | 2 | 4,534 | 4,873 |
| Expenses, excluding finance costs | 2 | (4,873) | (4,857) |
| Finance costs | | (215) | (211) |
| Share of net profits of associates accounted for using the equity method | | 264 | 354 |
| **Profit (loss) before tax** | | (290) | 159 |
| Income tax expense | | - | (5) |
| **Profit (loss) after tax** | | (290) | 154 |
| Net (profit) loss attributable to minority | | - | - |
| **Net profit (loss) attributable to members of the parent** | | (290) | 154 |

| **Earnings per security (EPS)** | 6 months to 30 June 2008 | 6 months to 30 June 2007 |
|---|---|---|
| Basic EPS | ($0.0026) | $0.0014 |
| Diluted EPS | ($0.0026) | $0.0014 |

# Condensed Consolidated Balance Sheet

| | Notes | 30 June 2008 $A'000 | 31 Dec 2007 $A'000 |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | | 960 | 1,231 |
| Trade and other receivables | | 8,224 | 9,251 |
| Inventories | | 4,686 | 5,090 |
| Prepayments | | 16 | 7 |
| **Total current assets** | | 13,886 | 15,579 |
| **Non-current assets** | | | |
| Investments accounted for using the equity method | | 5,499 | 5,751 |
| Property, plant and equipment | | 1,220 | 1,397 |
| Investment property | | 1,363 | 1,363 |
| **Total non-current assets** | | 8,082 | 8,511 |
| **Total assets** | | **21,968** | **24,090** |
| **Current liabilities** | | | |
| Trade and other payables | | 8,938 | 9,772 |
| Short term borrowings | | 5,297 | 5,798 |
| Short term provisions | | 147 | 179 |
| Other current liabilities | | 1 | 56 |
| **Total current liabilities** | | 14,383 | 15,805 |
| **Non-current liabilities** | | | |
| Long term provisions | | 328 | 335 |
| **Total non-current liabilities** | | 328 | 335 |
| **Total liabilities** | | **14,711** | **16,140** |
| **Net assets** | | **7,257** | **7,950** |
| **Equity** | | | |
| Share capital | 4 | 155,639 | 155,639 |
| Other reserves | | 5,398 | 5,777 |
| Retained earnings (accumulated losses) | | (154,745) | (154,455) |
| **Parent entity interest** | | **6,292** | **6,961** |
| Minority interests | | 965 | 989 |
| **Total equity** | | **7,257** | **7,950** |

# Condensed Statement of Changes in Equity
## For the Half-Year ended 30 June 2008

| | Attributable to equity holders of the parent | | | | Minority Interest | Total Equity |
|---|---|---|---|---|---|---|
| | Issued Capital | Retained Earnings | Other Reserves | Total | | |
| CONSOLIDATED | $'000 | $'000 | $'000 | $,000 | $'000 | $,000 |
| At 1 January 2007 | **155,639** | **(155,136)** | **6,374** | **6,877** | 1,026 | **7,903** |
| Currency translation differences | - | - | (333) | (333) | (45) | (378) |
| Total Income and Expense for the period recognised directly in equity | **-** | **-** | **(333)** | **(333)** | **(45)** | **(378)** |
| Profit for the period | - | 154 | - | 154 | - | 154 |
| At 30 June 2007 | **155,639** | **(154,982)** | **6,041** | **6,698** | **981** | **7,679** |

| | Attributable to equity holders of the parent | | | | Minority Interest | Total Equity |
|---|---|---|---|---|---|---|
| | Issued Capital | Retained Earnings | Other Reserves | Total | | |
| CONSOLIDATED | $'000 | $'000 | $'000 | $,000 | $'000 | $,000 |
| At 1 January 2008 | **155,639** | **(154,455)** | **5,777** | **6,961** | 989 | **7,950** |
| Currency translation differences | - | - | (379) | (379) | (24) | (403) |
| Total Income and Expense for the period recognised directly in equity | **-** | **-** | **(379)** | **(379)** | **(24)** | **(403)** |
| Profit (loss) for the period | - | (290) | - | (290) | - | (290) |
| At 30 June 2008 | **155,639** | **(154,745)** | **5,398** | **6,292** | **965** | **7,257** |

# Condensed Consolidated Cash Flow Statement

| | Six months to 30 June 2008 $A'000 | Six months to 30 June 2007 $A'000 |
|---|---|---|
| **Cash flows related to operating activities** | | |
| Receipts from customers | 6,017 | 7,306 |
| Payments to suppliers and employees | (4,900) | (6,777) |
| Interest | 11 | 9 |
| Interest paid | (215) | (211) |
| Income taxes paid | - | (66) |
| **Net operating cash flows** | **913** | **261** |
| **Cash flows related to investing activities** | | |
| Payment for purchases of property, plant and equipment | (10) | (6) |
| Proceeds from sale of property, plant and equipment | 72 | 9 |
| Advances from joint venture entity | - | 126 |
| **Net investing cash flows** | **62** | **129** |
| **Cash flows related to financing activities** | | |
| Repayment of borrowings from other related and non related entities | (1,246) | (1,293) |
| **Net financing cash flows** | **(1,246)** | **(1,293)** |
| **Net decrease in cash held** | **(271)** | **(903)** |
| Cash and cash equivalents at beginning of period | 1,231 | 1,440 |
| **Cash and cash equivalents at end of period (Note 6)** | **960** | **537** |

# Notes to the Half Year Financial Statements

## 1. Basis of Preparation of the Half-Year Financial Report

***a) Basis of preparation of the half-year financial report.***

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the Annual Financial Report of Multistack International Limited as at 31 December 2007.

It is also recommended that the half-year financial report be considered together with any public announcements made by Multistack International Limited and its controlled entities during the half-year ended 30 June 2008 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

The half-year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements.

***b) Summary of the significant accounting policies.***

The half-year consolidated financial report has been prepared using the same accounting policies as used in the annual financial report for the year ended 31 December 2007.

# Notes to the Half Year Financial Statements (continued)

## 2. Significant revenue and expenses

| | 6 months to 30 June 2008 $A'000 | 6 months to 30 June 2007 $A'000 |
|---|---|---|
| Revenue from sales of goods | 3,506 | 3,770 |
| Revenue from services | 776 | 932 |
| Interest revenue | 11 | 9 |
| Royalty income | 83 | 59 |
| Other revenue | 158 | 103 |
| Total operating income | 4,534 | 4,873 |
| Details of relevant expenses | | |
| Changes in inventories of finished goods & WIP | 156 | 664 |
| Raw materials and consumables used | (3,002) | (3,885) |
| Depreciation and amortisation expense | (102) | (115) |
| Borrowing costs | (215) | (211) |
| Salaries and employee benefits expense | (934) | (864) |
| Travelling costs | (134) | (115) |
| Management fees | (133) | (150) |
| Rent and rates | (92) | (91) |
| Advertising and promotion | (65) | (49) |
| Sales commission & consignment fees | (2) | 188 |
| Provision for bad and doubtful debts benefit | 39 | 167 |
| Provision for stock obsolescence benefit | 30 | 233 |

## 3. Dividends Paid or provided for on Ordinary Shares

No dividends have been paid or provided for on ordinary shares for the half year ended 30 June 2008 (Nil: 30 June 2007)

## 4. Share Capital

| | **30 June 2008 $'000** | **31 December 2007 $'000** |
|---|---|---|
| Ordinary shares | 155,639 | 155,639 |
| Issued and fully paid | 155,639 | 155,639 |
| | | |
| *Movements in ordinary shares on issue* | $'000 | $'000 |
| At 1 January 2008 | 155,639 | 155,639 |
| Movement during the period | - | - |
| At 30 June 2008 | 155,639 | 155,639 |

## Notes to the Half Year Financial Statements (continued)

### 5. Segment reporting

**Reports for business and geographical segment**

| | China operations | | Australian operations | | Elimination | | Consolidated | |
|---|---|---|---|---|---|---|---|---|
| 6 months to | June 08 $'000 | June 07 $'000 | June 08 $'000 | June 07 $'000 | June 08 $'000 | June 07 $'000 | June 08 $'000 | June 07 $'000 |
| Operating Revenue: | | | | | | | | |
| Sales to customers outside the economic entity | 3,126 | 3,380 | 1,157 | 1,322 | - | - | 4,283 | 4,702 |
| Other revenue from customers outside the economic entity | 124 | 98 | 127 | 73 | - | - | 251 | 171 |
| Share of net profits of associates | 193 | 210 | 71 | 144 | - | - | 264 | 354 |
| Intersegment sales | 259 | 181 | 15 | 36 | (274) | (217) | - | - |
| Total operating revenue | 3,702 | 3,869 | 1,370 | 1,575 | (274) | (217) | 4,798 | 5,227 |

The basis of inter segment pricing is market price.

| | China operations | | Australian operations | | Elimination | | Consolidated | |
|---|---|---|---|---|---|---|---|---|
| Segment results | | | | | | | | |
| Operating profit (loss) before tax | (387) | (7) | 97 | 166 | - | - | (290) | 159 |
| Operating profit (loss) after tax attributable to members | (387) | (12) | 97 | 166 | - | - | (290) | 154 |
| Segment assets (Total assets) | 29,625 | 32,171 | 9,691 | 9,703 | (17,348) | (17,711) | 21,968 | 24,163 |

**Industry segment**

The economic entity operates in one business being the heating, ventilation and air-conditioning (HVAC) industry.

The major manufacturing operations comprise the production and sale of Multistack water chillers used in commercial air-conditioning and process cooling operations.

## Notes to the Half Year Financial Statements (continued)

### 6. Reconciliation of cash and cash equivalents

| | 30 June 2008 $A'000 | 30 June 2007 $A'000 |
|---|---|---|
| Cash on hand and at bank | 960 | 537 |
| **Total cash at end of period** | **960** | **537** |

### 7. Contingent Assets and Liabilities

Since the last annual reporting date, there has been no material change of any contingent assets or liabilities.

### 8. Subsequent events

There has been no subsequent event that requires disclosure in the half year financial report.

## Directors' Declaration
**30 June 2008**

In accordance with a resolution of the directors of Multistack International Limited, I state that:

In the opinion of the Directors:

(a) the financial statements and the notes of the consolidated entity:

  (i) give a true and fair view of the financial position as at 30 June 2008 and the performance for the half-year ended on that date of the consolidated entity; and

  (ii) comply with Accounting Standard AASB 134: "Interim Financial Reporting" and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that Multistack International Limited will be able to pay its debts as and when they become due and payable.

On behalf of the Board

**T. Chu**
**Chairman**
Date: 27 August 2008

# INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF MULTISTACK INTERNATIONAL LIMITED

We have reviewed the accompanying half-year financial report of Multistack International Limited. The half-year financial report comprises the condensed consolidated balance sheet as at 30 June 2008, and the condensed consolidated income statement, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the half-year ended on that date, for the company and the entities it controlled at the half-year or from time to time during the period, together with a statement of accounting policies, other selected explanatory notes and the directors' declaration.

*Directors' Responsibility for the Half-Year Financial Report*

The directors of the Multistack International Limited are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Multistack International Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Multistack International Limited is not in accordance with the Corporations Act 2001 including:

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2008 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

*Inherent uncertainty regarding going concern basis of accounting*

Without qualification to the opinion expressed above, attention is drawn to the following matter:

The Group's ability to continue as a going concern will be dependent upon its ability to trade profitably in the 2008 financial year as well as the ongoing support of financiers. The half-year financial report has been prepared on the basis of the company and the economic entity continuing to operate as a going concern. This assumes the continued support of the entity's existing financiers and suppliers, the ability to source alternative finance, if required, and the company's ability to generate sufficient positive cash flows from future trading.

The going concern assumption may not be appropriate if existing financiers and suppliers do not continue to provide facilities required by the entity or if alternate sources of finance, if required, can not be obtained or if the Directors expectations for future trading performance fails to generate sufficient positive cash flows to meet the company's obligations. If the going concern basis is found to be no longer appropriate the recoverable amounts of the assets shown in the Balance Sheet are likely to be significantly less than the amounts disclosed.

Pitcher Partners

**PITCHER PARTNERS**
**Melbourne**

**K L BYRNE**
**27 August 2008**